

Press release

Paris, December 18, 2023, 8:45 a.m.

The iliad Group submits proposal to Vodafone to join forces in Italy

Combining the Italian operations of iliad and Vodafone would create the most innovative telecom challenger for Italy.

Vodafone Italia valued at €10.45 billion.

Vodafone to get €8.5 billion of cash & shareholder loan.

Financial release

- The iliad Group has submitted to Vodafone Group a proposal for the merger of iliad Italia and Vodafone Italia
- Proposal values Vodafone Italia at €10.45 billion (EV). Vodafone would obtain 50% of the share capital of NewCo, together with a €6.5 billion cash payment and a €2.0 billion shareholder loan to ensure long-term alignment. Vodafone's equity in NewCo at closing valued at €1.95 billion
- iliad Italia valued at €4.45 billion (EV). Iliad would obtain 50% of the share capital of NewCo, together with a €500 million cash payment and a €2.0 billion shareholder loan.

The iliad Group today announces that it has submitted a proposal to Vodafone Group for the merger of iliad's and Vodafone's businesses in Italy through the creation of a new entity ("NewCo") to establish an attractive market offering centered around innovation, growth, and unparalleled customer experience. This offer benefits from the unanimous support of iliad's board of directors and its main shareholder Xavier Niel.

All information related to Vodafone and Vodafone Italia is based on public sources.

Potential creation of the most innovative Telecom challenger in Italy

Thanks to the joint expertise and talent at iliad and Vodafone, NewCo would become the leading actor for investment in cutting-edge technology and customer-centric solutions in the Italian telecom market, supporting and accelerating the country's digital transformation and especially fiber adoption.

The combined entity would specifically benefit from iliad's innovative approach to connectivity, affordability, and digital inclusivity as well as the expertise of Vodafone in B2B.

The proposed merger would create the most innovative challenger in an Italian market with 5 mobile network operators and more than 10 fixed broadband providers.

The proposed business combination is a compelling proposal for Vodafone's stakeholders

iliad's proposed enterprise value for Vodafone Italia of €10.45 billion would represent a significant premium in terms of EBITDAaL multiple reflecting the strong potential for NewCo as a strong telecoms player in the Italian markets following a merger:

- Based on Vodafone Italia's estimated EBITDAaL of €1.34 billion for FY2024 (as per broker consensus), the proposed transaction implies an EBITDAaL multiple of 7.8x, i.e. more than the 7.1x EBITDAaL multiple offered by iliad in its €11.25 billion offer in February 2022
- Assuming €300 million of intercompany and other charges below EBITDAaL using similar charges/revenues ratio as in the Zegona/Vodafone Spain publicly disclosed information, the adjusted EBITDAaL multiple would be 10x.

The proposal offers both value and cash to Vodafone. The transaction also meets Vodafone's publicly stated intention to transform and simplify the group.

As part of the proposed transaction, iliad would have a call option on Vodafone's equity stake in NewCo and would be able to acquire a block of 10% of the NewCo share capital every year at a price per share equal to the equity value at closing. In the event iliad would choose to exercise the call options in full, this would generate an additional €1.95 billion in cash for Vodafone.

The financing of this transaction is supported by leading international banks.

The proposal would create a strong player with solid financial profile

The merged business would be expected to generate revenues of c€5.8 billion and EBITDAaL of approximately €1.6 billion for financial year ending March 2024¹. It would also benefit from expected annual run rate synergies of more than €600 million in Opex + Capex².

Upon closing of the proposed merger, leverage would stand at 4.5x net debt to EBITDAaL, with the objective to reduce to below 3x three years post-closing³.

Thomas Reynaud, iliad Group CEO, said: *"The market context in Italy calls for the creation of the most innovative telecom challenger, with ability to compete and create value in a competitive environment. We believe that the profiles and complementary expertise of iliad and Vodafone in Italy would allow us to build a strong operator with the ability and financial strength to invest for the long term. NewCo would be fully committed to accelerating the country's digital transformation and especially fiber adoption and 5G deployment, with more than €4 billion of investment planned over the next 5 years."*

¹ Based on broker consensus for Vodafone

² iliad's estimates based on previous European in-market Telecom merger

³ Source: debt of 7 billion as per iliad's proposal and NewCo's financials as per above, i.e. iliad's own business plan for iliad Italia, broker consensus for Vodafone Italia and industry benchmark for synergies

About the Iliad Group

Created in the early 1990s, the Iliad Group is the inventor of the world's first triple-play box and has grown into a major European telecoms player, standing out for its innovative, straightforward and attractive offerings. The Group is the parent of Free in France, Iliad in Italy and Play in Poland, has over 17,400 employees serving 47.8 million subscribers, and generated €9.0 billion in revenues in the last 12 months. In France, the Group is an integrated Fixed and Mobile Ultra-Fast Broadband operator and had 22.1 million retail subscribers at September 30, 2023 (14.8 million Mobile subscribers and 7.3 million Fixed subscribers). In Italy - where the Group launched its business in 2018 under the Iliad brand, becoming the country's fourth Mobile operator with over 13% of market share - it had more than 10.6 million Mobile subscribers at September 30, 2023. In Poland, the Group became an integrated convergent operator after the acquisition of UPC Polska in 2022 and had more than 13.0 million Mobile subscribers and more than 2.0 million Fixed subscribers at September 30, 2023. The Iliad Group is Europe's sixth-largest operator by number of retail Mobile subscribers (excluding M2M) and Fixed Internet.



About Iliad Italia

Iliad Italia is the operator that has revolutionized the mobile market in Italy since its debut in 2018, with offers that combine quality and transparency. In January 2022, Iliad entered the fixed-line market with its own fiber and router, the Iliadbox. In May 2023, Iliad unveiled IliadBusiness: the offer for businesses and VAT payers. According to a November '22 GRIF-Luiss study, Iliad's investments in Italy have generated a return of more than 10 billion euros on domestic production, with more than 83,000 jobs (direct, indirect and induced). It is present in Italy with a proprietary network infrastructure. Iliad to date covers 99.6 percent of the population through 4G technology, and its 5G network reaches more than 3,000 Italian cities and growing, on 5G-compatible Iliad devices (for more information and to check compatible phones visit <https://5g.iliad.it/>). Iliad is present throughout the Italian peninsula with 53 Flagship Stores and more than 6,000 points of sale divided between Iliad Corner, Iliad Point, Iliad Express and Iliad Space. The mobile operator belongs to the Iliad Group, the sixth largest telephone operator in Europe. As of May 2023, Iliad has exceeded 10 million mobile users.

Find out more at:

 www.iliad.fr/en

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APPENDIX
Key Proposed Terms

ITEM	ILIAD OFFER
Vodafone Italia EV	€10.45 billion
Vodafone Cash at Closing	€6.5 billion
Vodafone Shareholder Loan at Closing	€2.0 billion
Vodafone Equity at Closing	€1.95 billion
Vodafone Stake in NewCo	50%
Iliad Italia EV	€4.45 billion
Iliad Cash at Closing	€0.5 billion
Iliad Shareholder Loan at Closing	€2.0 billion
Iliad Equity at Closing	€1.95 billion
Iliad Stake in NewCo	50%
Iliad Call Option	10% block of NewCo shares every year at a price per share equal to the equity value at closing
Governance - CEO/CFO	Initial choice by Iliad
Governance - Decision Making	Co-control but consolidation by Iliad upon exercise of first call option block
Vodafone Intercompany Charges	Capped at €300 million for 1 year the €300 million is computed applying the intercompany charge/Revenues ratio disclosed in the sale of Vodafone Spain
Financing	Comfort letters from several 1 st Tier banks